# Agdevco

## Agricultural Development Corporation of Saskatchewan

# 1983 ANNUAL REPORT

84- 3813 /

# Letter of Transmittal

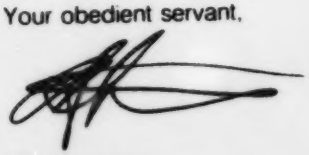
To His Honour,
The Honourable Frederick W. Johnson
Lieutenant Governor of the Province of
Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of the Agricultural Development Corporation of Saskatchewan for the year ending December 31, 1983, including financial statements for the year duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with the Crown Corporations Act.

I have the honour to be, Sir,

Your obedient servant,



Eric Berntson
Deputy Premier
Minister of Economic Development and Trade
and
Chairman of the Agricultural Development
Corporation of Saskatchewan.

## Purpose of the Corporation

To develop, process, diversify and upgrade agriculture in Saskatchewan, while annually recovering costs and earning a reasonable rate of return to the Corporation. The Corporation also serves as a vehicle for managing national and international aid and integrated rural development projects which feature Saskatchewan transferable technology.

## Objectives

To establish an organizational structure that effectively meets the following requirements:

1. to profitably market Saskatchewan agricultural goods and services worldwide through a fully integrated trading house system;

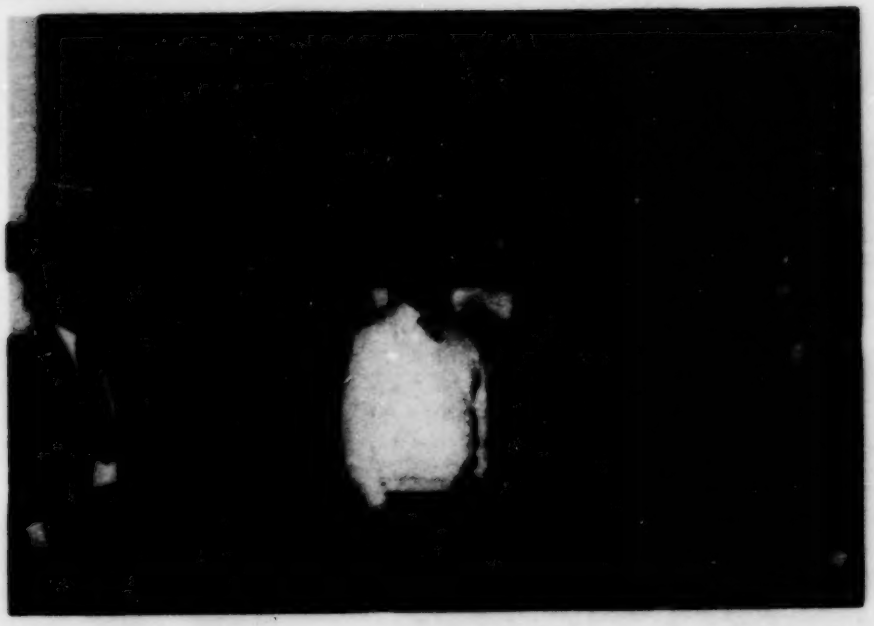
2. to facilitate the further processing of Saskatchewan primary agricultural products in association with the private sector;

3. to implement on a fee for service basis international rural development projects, utilizing suitable Saskatchewan and Canadian goods and services.

## Chairman of the Board

Honourable Eric Berntson

## Board of Directors



| | | |
|---|---|---|
| left to right: | | |
| Ken Alger | | Meadow Lake |
| Wilf Charney | | Humboldt |
| Stuart Rempel | | Swift Current |
| Honourable Eric Berntson | Chairman | Regina |
| Jack Drew | Vice-Chairman | Regina |
| Ian Disbery | Corporate Secretary | Regina |
| Jake Willms | | Dundurn |

# President's Report

I am pleased to report that Agdevco achieved its commercial objective of financial self sufficiency in this our fifth year of operation. Gross revenue exceeded $4 million in 1983, an increase of 25.6 per cent from 1982 results. Net income in 1983 was 9.4 per cent higher than what was achieved the previous year.

Saskatchewan is very dependent upon export markets. This is especially true of our agricultural resources. Cereal grains and oilseeds make up the largest share of Saskatchewan Farm Cash receipts. Much of what we produce is exported out of the province in an unprocessed state.

Agdevco is working hard to reduce our dependence upon the exportation of raw agricultural commodities. Our participation in Saskatchewan's first commercially successful pea splitting line has resulted in value-added returns for the province. The Corporation continued to support frozen bovine embryo research and is the only exporter of frozen elk semen in Saskatchewan.

The Corporation's major objective continues to be the aggressive exportation of Saskatchewan agricultural goods and services to world markets. These efforts are directed at achieving optimum returns for Saskatchewan farmers and processors, while at the same time enhancing the environment for entrepreneurial drive within the province.

Agdevco has reached a major milestone in its development as a commercially successful Saskatchewan corporation. There is still much to be accomplished. We recently opened a trade office in Vienna, which we look to as a centre for countertrade. We have established working relationships with a number of companies in Saskatchewan which will strengthen our international competitiveness.

The coming year presents new challenges which will test the Corporation's ability to remain competitive in world markets. Saskatchewan is World Class and we are proud to be a part of this renewed spirit.

Gordon A. Wells,
President.

# Senior Management

**President & Chief Executive Officer**
Gordon A. Wells

**Crop Division**
Crops and Crop Products
Sales Manager — John Galloway
Assistant Manager — Inge Ryan

**Livestock Division**
Livestock and Livestock Products
Sales Manager — Dr. Milos Menhart

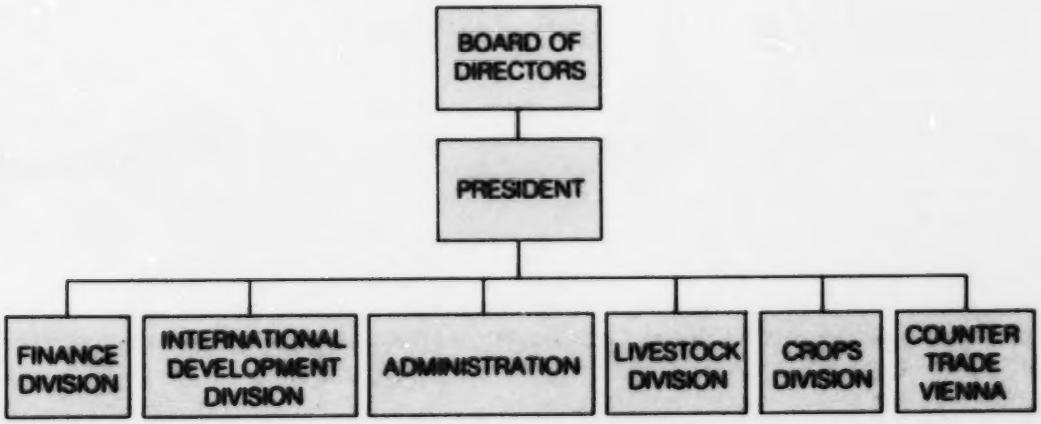
**Counter Trade Vienna**
European Manager — Derek Bedson

**Finance and Administration Division**
Director — Assistant General Manager—
Alex Montbriand
Accountant — Vivian Diamond

**International Development Division**
Director — Orland Bratvold
Supervisor — Jim Millington

**Administration**
Marjorie Wohlberg
Sharon Flamont

# Organizational Chart
# Agricultural Development Corporation of Saskatchewan



# Division Highlights

## Crops and Crop Products

Specialty crops continue to increase in popularity with Saskatchewan farmers, as cereal crops face uncertain markets and lower prices. Cash crops provide much needed revenue for farmers who continually find themselves caught in the cost-price squeeze.

Agdevco's major interest in 1983 came from lentils and yellow field peas as both crops recorded successful years, even though we were plagued with an early wet fall, which lowered lentil grades making it difficult to market some of them. Limited world markets for some varieties of lentils compounded the problem. We expect both peas and lentil acreage will increase somewhat in Saskatchewan next year as both crops have continued to perform well for our farmers.

Other specialty crops experienced improved returns in 1983. Mustard seed enjoyed a sharp price rise, as supplies all but disappeared. The higher prices will undoubtedly result in increased production, followed by lower prices next fall, especially if supplies increase to expected levels. Canary seed regained lost ground late in 1983 as supplies declined. We expect a more normal year in 1984.

The Corporation's value-added pea splitting line performed beyond expectations giving strong support to the Pulse Crop sector. In addition with the only processing plant in the province which produces pea flour, pea starch and fibre, Saskatchewan pea growers can expect continued strong markets.

The number of farmers contracting or marketing through Agdevco is expanding rapidly as our efforts to negotiate fair market prices meet or exceed their expectations.

## Livestock and Livestock Products

The Corporation's Livestock Division enjoyed the most successful year to date, with large numbers of purebred cattle exported to a number of foreign markets. This was the first time a ten car train filled with Saskatchewan purebred polled Hereford cattle made the trip to Montreal before being loaded onto a chartered vessel for shipment to Southern Europe. Shipments of this size are uncommon in Canada as usually only a few highly specialized breeding stock are exported by aircraft.

We continued our export program for live elk and semen from Saskatchewan to New Zealand. The Western College of Veterinary Medicine and Agdevco have been co-operating on this project for a number of years. The research results are proving beneficial for what we hope will be a viable game ranching industry in the province sometime in the future.

Our bovine embryo export program was limited as clients requested only the best donors and it was not always possible to meet their requirements. Embryo technology continues to be a subject of interest to many countries and we expect to receive more requests of this nature.

We are optimistic that new markets for Saskatchewan livestock will be developed providing we invest our limited resources in a prudent manner. Considerable investment in market development is required before results can be expected. Saskatchewan's livestock sector provided keen support to our export initiatives.

# Vienna — Countertrade

During 1983 Agdevco closed its New Product Development Division and opened an office in Vienna. Two major reasons dictated this change. Firstly, it is difficult, if not impossible, to properly service a foreign market from Saskatchewan. Vienna is ideally suited to service our markets in Eastern Europe. The second reason Vienna was selected was due to the increasing importance of countertrade. Many countries with limited hard currencies wish to undertake trade, but lack the necessary financial resources. In an effort to circumvent this deficiency, countertrade is becoming more popular.

Countertrade can involve several products, countries and buyers. The primary requirements are for the various partners to find buyers for the products involved in the transaction. Products from one country may be traded to a buyer for products in a second country, who in turn may resell the goods for hard currency. In each case, a discount is involved. It has been reported that up to 40 per cent of world trade is now being done through the countertrade mechanism.

# International Development Projects

The Government of Saskatchewan has provided Agdevco with the mandate to implement and manage international rural development projects.

Saskatchewan has both the knowledge and capability to transfer suitable technology to Third World Countries in the following areas:

- dryland (rainfed) mechanized farming;
- grain handling and storage systems;
- irrigation systems;
- livestock production and processing systems;
- range management and conservation;
- integrated rural development projects;
- veterinary clinics, feed testing laboratories,soil testing laboratories and artificial insemination units;
- pre-feasibility and feasibility studies in a wide range of agricultural development areas;
- agricultural research and extension systems.

The objective of international development initiatives is to assist Third World Countries to develop their food production capabilities through a number of suitable alternatives, which may utilize some aspect of Saskatchewan technology.

The rural water development in Lesotho, begun in 1977, continued under Agdevco management again this year. This project has been very successful with the result that it has been expanded, and will now run until the end of 1985.

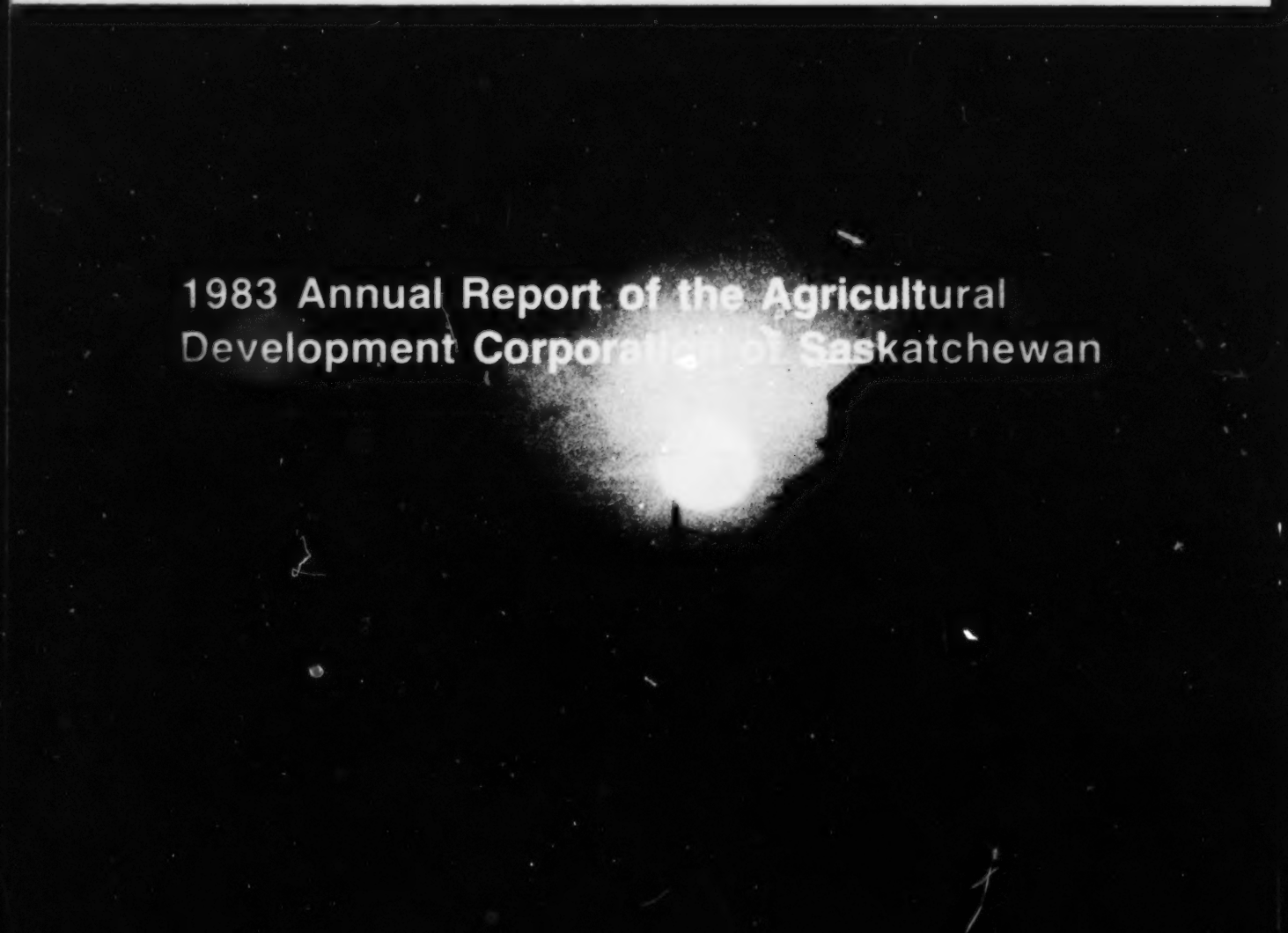
The rainfed wheat project in Zambia has been redefined so that we are now concentrating in researching alternative means of producing wheat under dryland conditions. We expect to identify the most suitable areas for rainfed wheat in Zambia and provide a commercial plan for improved wheat production.

The Corporation hired a new Director for the International Division part way through the year. Our primary objective was to identify compatible Saskatchewan private sector companies who could work with Agdevco in implementing international integrated rural development projects. In addition, we became registered with a number of funding agencies (World Bank, Asian Development Bank) with whom we expect to undertake new projects. This should provide us with increased opportunities for projects in this Division.

Agdevco is focusing much of its attention on Southeast Asia and the Pacific Rim and is beginning to develop opportunities in the People's Republic of China, which we consider a very important market.

## Administration

The Corporation is beginning to reorganize along more functional lines as we consolidate into two major activities — trade and international development. Our efforts to reduce overhead in 1983 proved successful, although we expect that increased business in 1984 will necessitate expenditures in the Administration Division to support the higher volumes. The Corporation's word processing system is fully operational and we are now optimistic that our plan to implement a data processing system can be achieved.



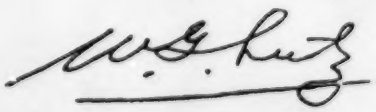
# Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Agricultural Development Corporation of Saskatchewan as at December 31, 1983 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan,
February 23, 1984



W. G. Lutz, F.C.A.
Provincial Auditor.

# Statement of Financial Position

As At December 31

| Assets | [illegible] | 1982 |
|---|---|---|
| Cash and short term deposits | [illegible] | $ 715,430 |
| Accounts receivable — trade | [illegible] | 1,200,318 |
| — Department of Agriculture | — | 13,000 |
| — Market Development Fund | [illegible] | 5,510 |
| — other | [illegible] | 6,517 |
| Investment due within one year (Note 3) | [illegible] | — |
| Prepaid expenses | [illegible] | 45,494 |
| Inventory | [illegible] | 24,652 |
| | [illegible] | 2,010,921 |
| Investment (Note 3) | [illegible] | 207,629 |
| Equipment (Note 4) | [illegible] | 20,058 |
| | [illegible] | $2,238,608 |

**Liabilities and Province's Equity**

| | [illegible] | |
|---|---|---|
| Liabilities: | | |
| Accounts payable — trade | [illegible] | $1,085,126 |
| — other | [illegible] | 21,520 |
| Long term debt due within one year (Note 6) | [illegible] | 13,125 |
| Advances — international projects (Note 5) | [illegible] | 512,472 |
| Dividend payable to Crown Investments Corporation of Saskatchewan | — | 117,473 |
| | [illegible] | 1,749,716 |
| Long term debt (Note 6) | [illegible] | 161,875 |
| Province of Saskatchewan's equity: | | |
| Advance (Note 7) | [illegible] | — |
| Retained earnings | [illegible] | 327,017 |
| | [illegible] | $2,238,608 |

(See accompanying notes)

## Statement of Operations

For the Year Ended December 31

| | 1982 |
|---|---|
| Revenue | |
| Product sales | $2,696,620 |
| Commissions and fees | 337,273 |
| Product development assistance (Note 9) | 9,689 |
| Grant from Department of Agriculture (Note 9) | 146,040 |
| Investment income | 49,836 |
| Other income | 33,615 |
| | 3,273,073 |
| Expenditure | |
| Cost of product sales | 2,517,697 |
| Direct product development costs | 9,689 |
| General and administrative | 628,214 |
| Interest expense | — |
| | 3,155,600 |
| Net Income | $ 117,473 |

## Statement of Retained Earnings

For the Year Ended December 31

| | Unappropriated | Appropriated (Note 8) | Total |
|---|---|---|---|
| | 1982 | 1982 | 1982 |
| Balance, beginning of year | $304,348 | $22,669 | $327,017 |
| Net income | 117,473 | — | 117,473 |
| Dividend | (117,473) | — | (117,473) |
| Transfer from Appropriated Retained Earnings | 22,669 | — | 22,669 |
| Transfer to Unappropriated Retained Earnings | — | (22,669) | (22,669) |
| Balance, end of year | $327,017 | $ — | $327,017 |

(See accompanying notes)

## Statement of Changes in Financial Position

As At December 31

| | 1983 | 1982 |
|---|---|---|
| Sources of working capital | | |
| Operations | | |
| Net income | $128,567 | $117,473 |
| Add (deduct) transactions not requiring an outlay of funds: | | |
| Gain on sale of equipment | — | (2,843) |
| Depreciation | 2,136 | 1,721 |
| | 130,703 | 116,351 |
| Equity advance from Crown Investments Corporation | 117,473 | — |
| Collection and change in current portion of long term note receivable (Note 3) | 48,562 | — |
| Proceeds from long term debt | — | 161,875 |
| Proceeds from sale of equipment | — | 13,410 |
| | 296,738 | 291,636 |
| Application of working capital | | |
| Dividend — Crown Investments Corporation of Saskatchewan | — | 117,473 |
| Reduction of long term debt | 17,500 | — |
| Acquisition of equipment | 9,687 | 18,751 |
| Increase in investment | 35,180 | 207,629 |
| | 62,367 | 343,853 |
| Increase (decrease) in working capital | 234,371 | (52,217) |
| Working capital, beginning of year | 261,205 | 313,422 |
| Working capital, end of year | $495,576 | $261,205 |

(See accompanying notes)

# Notes to Financial Statements

**December 31, 1983**

1. **Status of the Corporation**

Under the authority of Order in Council, the Saskatchewan Trading Corporation, established in 1974 pursuant to the provisions of The Crown Corporations Act, was continued as the Agricultural Development Corporation of Saskatchewan effective February 1, 1978. The Corporation was reconstituted to provide services which facilitate domestic and export trade in Saskatchewan agricultural products and to serve as an agency in contracting for and managing international development projects.

The Corporation has been designated by the above Order-in-Council as a corporation to which the provisions of Part II of The Crown Corporations Act 1978 apply. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

2. **Accounting Policies**

**Depreciation**

The equipment of the Corporation is depreciated on a straight line basis at the rate of 10% per annum.

**Translation of foreign currencies**

Balances and transactions in foreign currencies have been translated into Canadian dollars on the following basis:

i) Cash, accounts receivable and accounts payable at the rate prevailing at the balance sheet date.

ii) Revenues and expenditures at provisional rates approximating current rates, adjusted periodically throughout the year.

iii) Forward purchase contracts at rates stipulated in the contracts.

iv) Net foreign exchange conversion differences are included in product sales in the statement of operations.

**Inventory**

Inventory is valued at the lower of cost and net realizable value.

**Revenue Generating Activities**

The Corporation enters into the following types of revenue generating activities:

i) the Corporation purchases agricultural products from various producers, locates buyers for the products and then enters into sale agreements with the buyers. These transactions are recorded as product sales and cost of product sales in the statement of operations.

ii) in other transactions, the Corporation acts as agent, arranging for direct sales between buyers and producers. For rendering this service, the Corporation earns commissions and only the commissions on these transactions are included in the statement of operations.

iii) the Corporation also earns service fees for the management of special projects and the conduct of research studies. These service fees are also reflected in the statement of operations.

3. **Investment**

In 1982 and 1983, the Corporation acquired certain processing equipment which, under the terms of an agreement with another party, was to be sold to that party when the equipment was ready for commercial use in consideration for a promissory note payable in annual instalments over ten years. During 1983, the equipment became operational and the amount recorded as an investment in this equipment was converted to a long term note receivable with principal repayments of $24,281 due annually until 1992. The loan bears interest at a prime related rate, but will be subject to adjustment in any year, having regard to the profitability of the operation. The note is secured by the grant of a security interest in the equipment.

4. **Equipment**

| | 1983 | 1982 |
|---|---|---|
| Equipment, at cost | $31,754 | $22,067 |
| Accumulated depreciation | 4,145 | 2,009 |
| | $27,609 | $20,058 |

5. **Advances — International Projects**

The Corporation, under terms of agreements entered into with the Canadian International Development Agency (CIDA) and the Saskatchewan Department of Agriculture on behalf of a Federal Provincial program known as VADA (Voluntary Agricultural Development Aid) and the Saskatchewan Department of Economic Development and Trade, provides personnel to assist in implementing certain international projects sponsored by the agencies.

Under terms of the agreements, the Corporation assumes responsibility for the procurement of all project inputs of both an operating and a capital nature. Advance funding is normally provided by the agencies and the Corporation submits project cost reports on a periodic basis. The Corporation is fully compensated for the services it provides to the projects including a service fee as an allowance for administrative overhead costs.

6. **Long Term Debt**

Long term debt consists of a loan from the Crown Investments Corporation of Saskatchewan. The loan bears a floating interest rate which is tied to the prime lending rate. Principal repayments of $17,500 are due in each year to 1992. In addition, a final repayment of $4,375 is due at maturity on October 31, 1992.

7. **Advance**

The advance from the Crown Investments Corporation of Saskatchewan (C.I.C.) is non-interest bearing and repayment is at the discretion of C.I.C.

8. **Appropriation of Retained Earnings**

An appropriation of retained earnings was established to provide for salary claims that the Corporation may have been obligated to honour arising out of guarantees made in contracts for services rendered in overseas projects. As at December 31, 1982, employees in respect of whom these guarantees were made had completed their terms of service and accordingly the existing amounts appropriated were returned to unappropriated retained earnings.

9. **Grants from Provincial Government Sources**

The grant from the Department of Agriculture represents the final instalment of the amount appropriated in 1982/83. No appropriation was provided in 1983/84. In addition product development assistance from the Market Development Fund in the amount of $15,585 was received in 1983 (1982 - $9,689).

10. **Remuneration of Directors and Officers**

The Corporation's six directors (1982 - six) received $3,300 (1982 - $2,000) from the Agricultural Development Corporation of Saskatchewan as directors in 1983. The five senior officers (1982 - six) received, in aggregate $237,662 in salaries for 1983 (1982 - $242,092).

11. **Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.